PAN AFRICA CHRISTIAN UNIVERSITY

BACHELOR OF COMMERCE

END OF TERM EXAMINATION

DEPARTMENT: BUSINESS

COURSE CODE: BUS 3313 / BCM 212

COURSE TITLE: COST ACCOUNTING

EXAM DATE:

TIME:

INSTRUCTIONS

- Read all questions carefully before attempting.
- Question **One** in section **A** is **compulsory** and attempt any **THREE** questions from section **B**

SECTION A

……………………………………………………………………………………………………

QUESTION ONE

a) State two differences between cost accounting and financial accounting. (2 Marks)

b) The following relates to stocks of Mawindo Ltd.

Maximum consumption	5,600 units per week
Normal consumption	5,000 units per week
Minimum consumption	4,400 units per week
Re- order period	4 – 6 weeks
Re- order quantity	9,000 units

Calculate

i. Re- order level (2 Marks)
ii. Minimum stock level (2 Marks)

c) Xyz Ltd has produced the following information for the year ended 31st December 2019.

	Shs
Inventory on 1st January 2019	
Raw materials	350,000
Work- in- Progress	200,000
Finished goods	250,000
Inventory on 31st December 2019	
Raw materials	280,000
Work – in –progress	150,000
Finished goods	450,000
Salaries	
- Office and administration	340,000
- Factory overheads	110,000
Purchases of raw materials	840,000
Carriage inwards of raw materials	50,000
Carriage outwards expenses	80,000
Direct wages	740,000
Sales	3,360,000

Factory overheads

- Power and lighting	50,000
- Depreciation of plant	30,000

Office and administration	20,000

Required

Prepare a productioncost statement for the period ended 31st December 2019 (4 Marks)

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SECTION B

…………………………………………………………………………………………………

QUESTION TWO

d) Sololo Ltd manufactures a product known as “Solo”. The following information relates to the product for the month of August 2019.

Sales	1,180,000
Direct materials	400,000
Direct labor	200,000
Production overheads	200,000

Additional information:

- During the month, 1,000 units were produced but only 990 units were sold.
- 75% of production overheads were variable.
- Selling and distribution overheads amounted to Shs.90,000 which were fixed.

Required:

i. Prepare an income statement for the month under Marginal costing (5 Marks)

ii. Prepare an income statement for the month under Absorption costing (5 Marks)

QUESTION THREE

a) A company has an annual demand for material of 45,000 tons per annum. The cost price per ton is shs 2,000 and stock holding cost is 25% per annum of stock value. Delivery cost per batch is shs. 400.

Required

Determine the Economic Order Quantity (3 Marks)

b) The following information was extracted from the stores ledger of Okero Ltd for the month of January 2019. The firm uses Last in First in (LIFO) methods of pricing and issuing materials.

1st January: Purchase 2,000 units @25 Shs.

3rd January: Purchased 4,000 units @ 24 Shs.

6th January: Issued 4,800 units.

7th January: Purchased 2,000 units@ 26 shs.

Required

Prepare the stores ledger using Last in First out (LIFO) (7 Marks)

QUESTION FOUR

a) Discuss three functions of cost accounting (6 Marks)

b) Distinguish between

i. Direct costs and indirect costs (2 Marks)

ii. Controllable costs and Non- controllable costs (2 Marks)

QUESTION FIVE

a) You have been provided with the following information regarding Kawa Ltd for the year ended 31 December 2019 :

	Labor hours	**Service cost (Shs)**
Highest activity level	1,000	400,000
Lowest activity level	500	350,000

Required

i. Estimate the fixed and variable element of the fuel expenses from the above data using the High-low method (7 Marks)

ii. Determine the service cost if the labor hours spend are 2,000 hours (3 Marks)

QUESTION SIX

Mjenzi Ltd remunerates its employees on time rate basis. The following information relates to three employees for the month of January 2018.

	Sema	Rudi	Peti
Total hours worked	36	42	39
Standard hours per unit	2	2	1.5
Output (units)	20	15	26

Additional information

- The standard hours per week is 40 hours
- The basic wage rate is 100 shs per hour.
- Bonus is paid at 30% of the basic wage rate.
- Overtime is paid at one and half times of the basic wage rate.

Required

For each employee

i. Determine the basic wage payable. (6 Marks)

ii. The gross wage payable (4 Marks)